



***“TOOLS FOR SUCCESS” WEBINAR SERIES
FOR ASSETS FOR INDEPENDENCE
GRANTEES***

**Financial Institution Partnerships
for IDA Programs**

March 13, 2012

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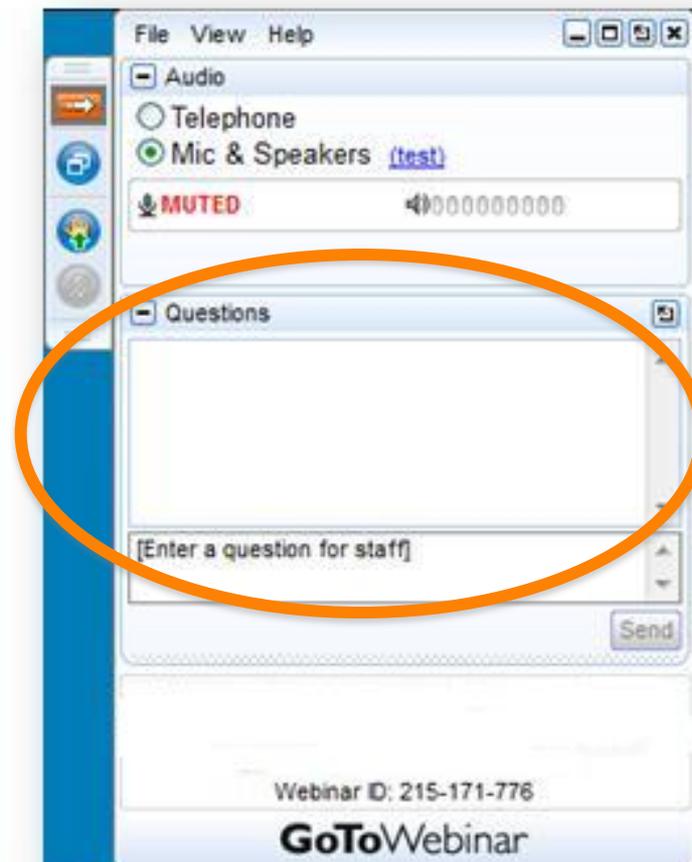
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Housekeeping

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Not an AFI grantee yet?

- Assets for Independence (AFI), which is administered through the Office of Community Services (OCS) at the U.S. Department of Health and Human Services, provides federal funding to community-based nonprofits and government agencies for Individual Development Accounts (IDAs).
- To learn more about applying, visit www.idaresources.org
- Upcoming Orientation Session:
- **AFI Question and Answers Conference Call for Prospective Grantees**

March 20, 2012. 2:00 PM - 3:30 PM Eastern

Register at www.idaresources.org

Your Guest Speakers

- **Janet Hamer**

Sr Community Development Manager
Federal Reserve Bank of Atlanta



- The Community and Economic Development (CED) group of the Federal Reserve Bank of Atlanta improves communities and their economic well-being in the Federal Reserve System's Sixth District by conducting research, providing technical assistance, training, and information to financial institutions, community and economic development organizations, and government agencies, as well as to consumers.

Your Guest Speakers

- **Lynette Bell**

First Vice President of
Community Development
SunTrust Bank



- SunTrust Bank helps people and institutions prosper by providing financial services that meet the needs, exceed the expectations, and enhance the lives of its clients, communities, employees and ultimately its shareholders.

Your Guest Speakers

- **Brendan Wilbur**

IDA Coordinator

Alternatives Federal Credit Union



- Alternatives Federal Credit Union builds wealth and create economic opportunity for underserved people and communities.

Your Moderator

- **Amy Shir**

AFI Regional Consultant
Asset Initiative Project



- The Asset Initiative Project is a collaboration across the Administration for Children and Families (ACF) Programs to bring asset building tools & practice to ACF grantees and families served in their programs.

Today We Will Cover:

Financial Institution Partnerships

- An overview of the Community Reinvestment Act (CRA)
- How to tailor your ask to the financial institution partner
- What to include in an MOU with a financial institution partner

Today we will cover, cont'd.

- Account features that are needed or desirable for IDA programs
- Internal processes that must be developed and in place in a financial institution that offers IDAs
- A case study of Alternatives Federal Credit Union – a community development financial institution that runs an IDA project
- An open dialogue with a regulator from the Federal Reserve Bank, a community development banker at Sun Trust Bank, and an IDA Coordinator at Alternatives Federal Credit Union

What makes a strong partnership?

- A clear MOU: Accountability of grantee and financial institution
- A partnership that extends beyond accounts
- Timely, accurate provision of savings account data
- Custodial accounts
- Trained personnel



Janet Hamer

**Federal Reserve Bank of
Atlanta**

Understanding the CRA and How it May Benefit Your Organization



**FEDERAL RESERVE BANK OF
ATLANTA
COMMUNITY AND ECONOMIC
DEVELOPMENT
AFI WEBINAR
MARCH 13, 2012**

What is CRA?

2

- Enacted to prevent redlining and to encourage financial institutions to help meet the credit needs of all segments of their communities, including low- and moderate-income (LMI) neighborhoods
- CRA applies to federally insured depository institutions, national banks, and state-chartered commercial and savings banks

The federal financial institution regulators are:

- [Board of Governors of the Federal Reserve System](#) (FRB)
- [Federal Deposit Insurance Corporation](#) (FDIC)
- [Office of the Comptroller of the Currency](#) (OCC) ; and



What is CRA?

3

- Banks are evaluated based on asset size using specific criteria for either:
 - Small Banks (under \$280 million)*
 - Intermediate Small Banks (ISB) (\$280 million to \$1.22 billion)*
 - Large Banks (assets over \$1.22 billion)
 - Wholesale & limited purpose banks
 - Banks with approved CRA strategic plans

*These thresholds are updated annually.



Key Definitions

Performance Context

4

- Each bank is evaluated on how well it serves its “assessment area”
- A bank’s performance is judged in the context of information about the bank and its Assessment Area, including
 - demographic data on median income levels, distribution of household income, nature of housing stock, housing costs and other relevant data
 - lending, investment and service opportunities
 - the bank’s product offerings and business strategy, capacity and constraints, past performance and the performance of similarly situated lenders
 - the bank’s public file and any written comments about the performance
 - any other relevant information



Key Definitions

LMI

5

- Low- and Moderate-Income (LMI) is a characterization of the area median income (AMI) of a geography, based on U.S. Census Bureau data
 - Low-income: < 50% of median income
 - Moderate-income: 50% - < 80% of median income
 - Middle-income: 80% - < 120% of the median income
 - Upper-income: 120% or more of the median income
- AMI is an annual income figure for which there are as many families with incomes below that level as there are above that level
 - For metro areas use the MSA's Median Family Income
 - For rural areas use the Statewide Non-metropolitan Median Family Income



Key Definitions

Small Business/Farm

6

- Small business loan – to enterprises with gross annual revenues of \$1 million or less
- Small business loan - loans with an original amount of \$1 million or less
- Small farm loan – to farms with gross annual revenues of \$1 million or less
- Small farm loan - loans included in “loans to small farms” as defined in the instructions for preparation of the Call Report with an original amount of \$500 thousand or less



Key Definitions

Community Development

7

- Affordable Housing for LMI individuals;
- Community services targeted to LMI individuals;
- Activities that promote economic development by financing small business/farms;
- Area Revitalization and Stabilization
 - LMI geographies;
 - Designated disaster areas;
 - Distressed non-metropolitan middle-income geographies; or
 - Underserved non-metropolitan middle-income geographies



- Lawful investment, deposit, membership share, or grant that has *community development* as its primary purpose
- Examples:
 - financial intermediaries that lend in LMI areas or to LMI individuals in order to promote community development;
 - organizations that promote economic development by financing small businesses;
 - facilities that promote community development in LMI areas for LMI individuals; or,
 - projects eligible for low-income housing tax credits.



Types of CRA Examinations

9

- Exam Types
 - Small Bank
 - Intermediate Small Bank (ISB)
 - Large Bank

<http://www.ffiec.gov/cra/examinations.htm>

Small Bank Test

10

- Banks with assets under \$280 million
- Exam Criteria:
 1. Loan to deposit ratio
 2. Lending inside and outside of the assessment area
 3. Distribution of loans by geography
 4. Distribution of loans by borrower income and revenue size
 5. Responses to CRA related complaints



ISB and Large Bank Test

11

- Banks with assets between \$280 million and \$1.122 billion are “intermediate small banks” or referred to as “ISBs.”
- Exam criteria:
 - Lending Test
 - Investment Test
 - Service Test



CRA Ratings

12

- A bank's record of meeting community needs is considered during an application review for a merger, acquisition, or branching
- Outstanding
- Satisfactory (High Sat/Low Sat)
- Needs to Improve
- Substantial Noncompliance



What Banks May Look for in Partners

13

- Capacity
- Proven Performance
- Sustainability
- Assessment and Responsiveness
- Innovation
- Target Market Penetration
- Recordkeeping and Accountability



Resources

- FFIEC Community Reinvestment Act Page
<http://www.ffiec.gov/cra/>
- FFIEC Guide to CRA Data Collection and Reporting
<http://www.ffiec.gov/cra/guide.htm>
- FFIEC Guide to HMDA Reporting
<http://www.ffiec.gov/hmda/guide.htm>
- Federal Reserve Bank CRA Guide
http://www.dallasfed.org/ca/epersp/2007/4_2.cfm
- FFIEC CRA Q & As 2009
<http://www.fdic.gov/news/news/press/2009/E8-31116.pdf>

FRB Atlanta Contacts

15

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Lynette Bell

SunTrust Bank



Individual Development Accounts (IDA)

March 13, 2012

LIVE SOLID BANK SOLID

What is the Community Reinvestment Act

As we look forward, the CRA will have to continue evolving to reflect the ongoing changes in financial markets and in the economy more generally.

Ben Bernanke, The Community Reinvestment Act: Its Evolution and New Challenges (Speech at Community Affairs Research Conference, Washington, D.C.) March 2007

The Community Reinvestment Act (CRA) of 1977 was enacted by Congress to address concerns that many financial institutions were not meeting the credit needs of the communities they served, especially neighborhoods located in low- and moderate-income areas.

The spirit of the Community Reinvestment Act was to encourage depository institutions to provide financial services to all segments of their community, including low- and moderate income individuals and geographies, that are consistent with **safe and sound banking operations.**

The Community Reinvestment Act **does not** require a financial institution to compromise credit quality or standard operating procedures to meet the provisions of the regulation.

Banks Receive CRA Credit for IDA

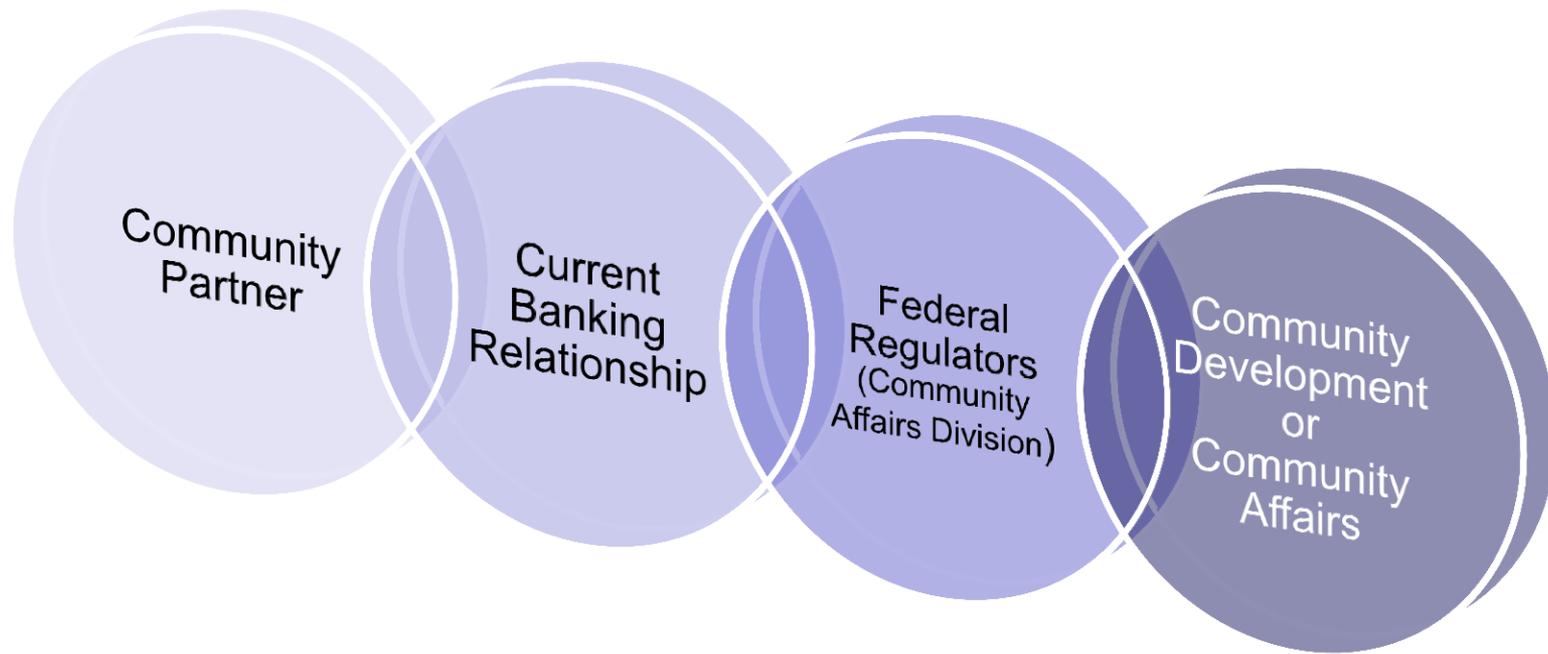
LIVE SOLID BANK SOLID

- Banks receive credit under the CRA legislation based on three test: lending, service and investments
- Banks are evaluated based on the volume and mix of community development services provided and Individual Development Accounts fall into this bucket.
- Examiners recognize that certain service activities require special expertise or effort on the part of the institution or provide a benefit to the community that would not otherwise be made available and therefore gives consideration to the bank for those qualitative aspects.
- IDAs provide a specialized service to clients and banks receive credit during an evaluation based on the program's innovativeness or complexity.



Build the Bridge (Internally)

LIVE **SOLID** BANK **SOLID**



Partners for Individual Development Account



Target Client/Prospect:

- ✓ Nonprofit, community based organization or government entity that has a significant community impact (e.g. statewide)
- ✓ Prospect has a solid reputation in the community
- ✓ Uses our branch network
- ✓ Values service and relationship

IDA Client Demographic:

- ✓ Clients in program must meet requirements for fund uses of IDA
- ✓ Client segment can range from students to adults
- ✓ Clients must be able to comply with USA Patriot Act requirements
- ✓ Active savings account meeting the minimum standards as detailed in the agreement with the sponsor

Framework to Build the Partnership

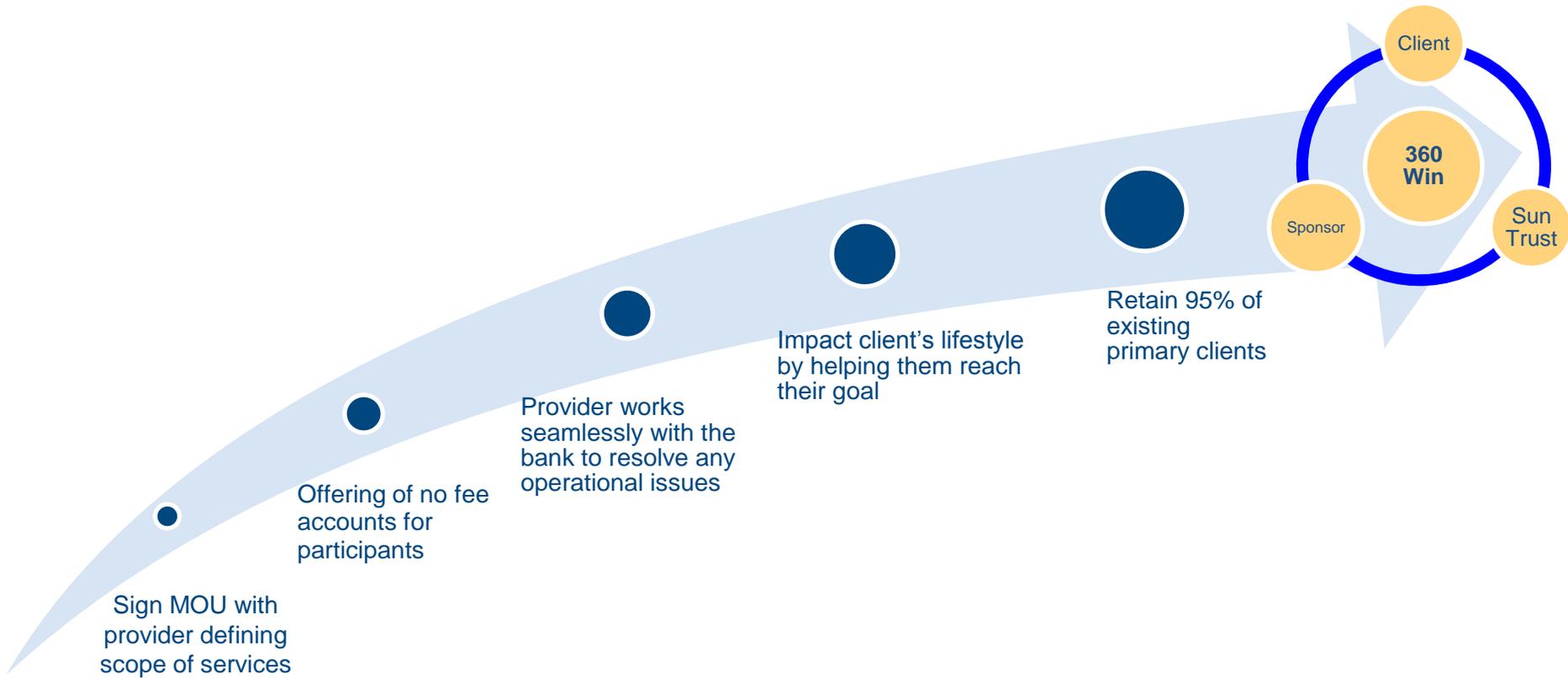
Bank Scope of Services

- Establish accounts for Program participants as set forth in the next section
- Designate one employee as a primary point of contact between SunTrust and Provider
- Identify to Provider one or more branch locations at which Program participants may obtain banking services
- Train and orient appropriate branch personnel on the objectives of the Program, the procedures for establishing accounts for program participants and the potential needs of program participants
- Provide Provider with a monthly account balance report for all Program participants
- Provide qualified instructors and guest speakers on personal finance, money management and homeownership classes for program as outlined in the Memorandum of Understanding (MOU)

Partner Provides

- Identify and recruit Program participants
- Serve as the primary point of contact between the Program and its participants
- Provide participants with an approved SunTrust IDA Participant Award Letter authorizing SunTrust to provide monthly account balance reports to Provider and to share information with Provider
- Instruct Program participants on how to open savings accounts at designated SunTrust branch locations
- Counsel with program participants to help them establish realistic monthly savings goals
- Monitor Program participants' monthly savings activity and counsel them in an effort to help them reach their savings goals and ultimately obtain their long-term asset

Definition of Success



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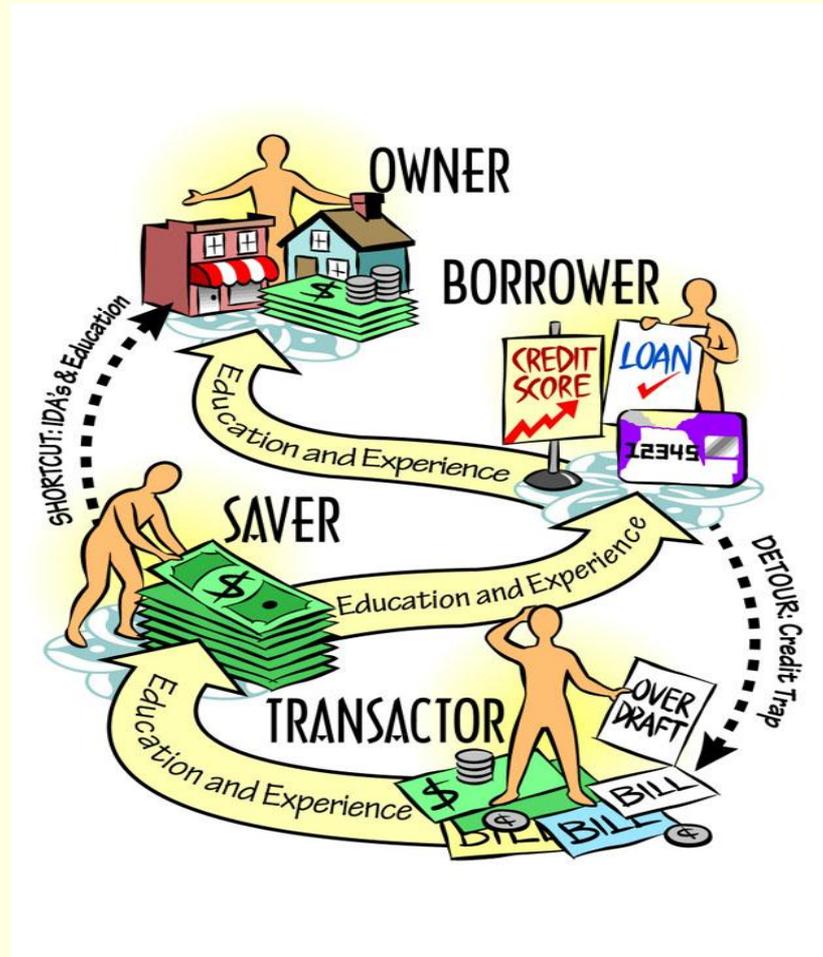


Brendan Wilbur

Alternatives FCU

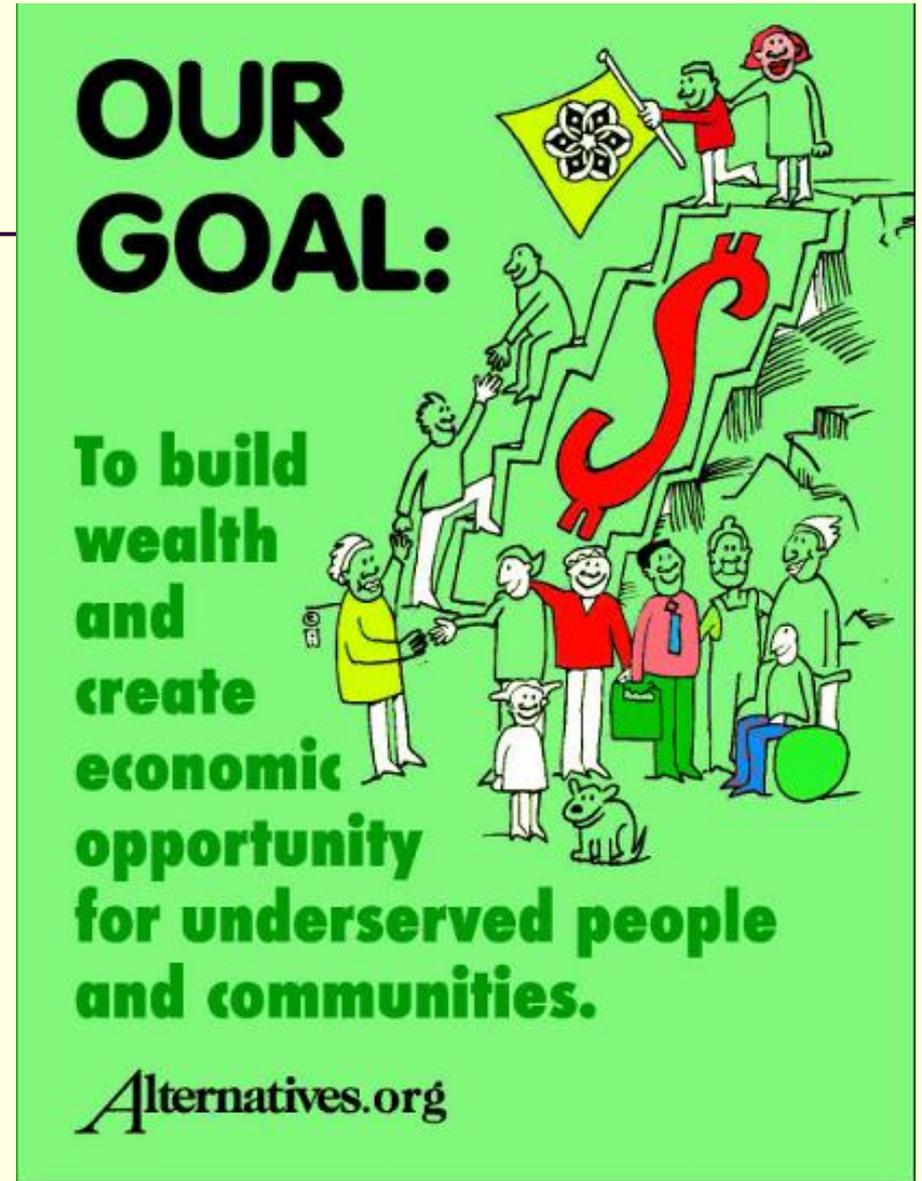
Alternatives FCU & The Credit Path

Brendan Wilbur

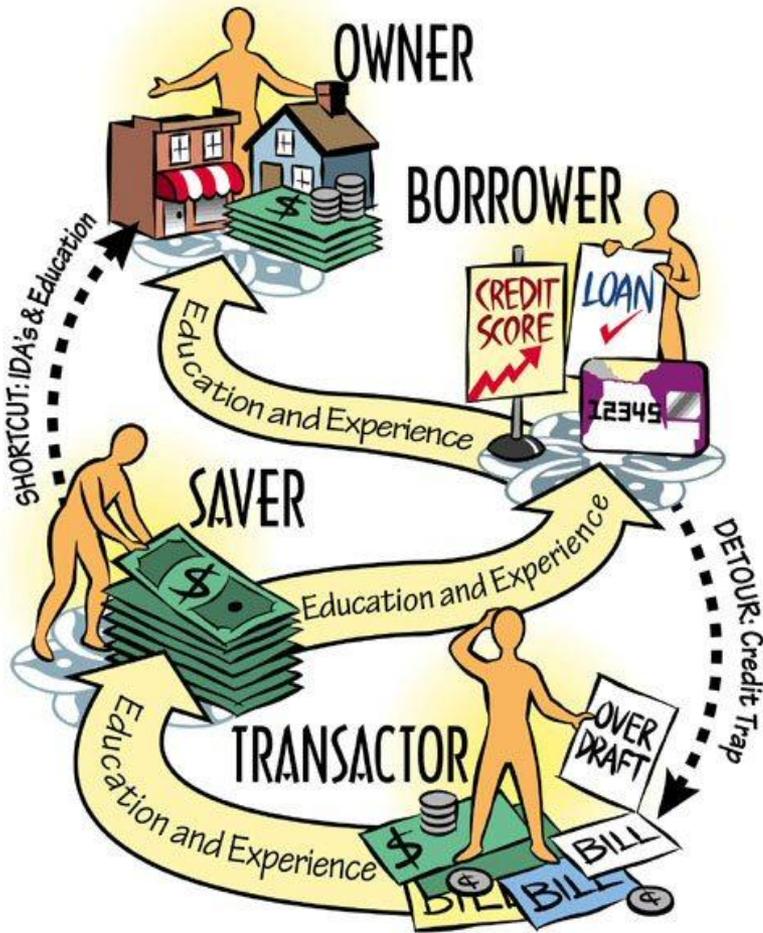


Why do we care?

- It's our mission
- Low income households, Immigrants and youth are the largest emerging markets



Credit Path®



Owners – a home, business, or education

Borrowers – building a positive credit history

Savers – lower balances, regular deposits

Transactors – check cashing, bill payment, money transfer

Education keeps it moving!

*“Income fills your stomach,
Assets change your head”*



**-Michael Sherraden
Author of *Assets and the
Poor: A New American
Welfare Policy***

History of IDAs at Alternatives

- American Dream Demonstration (1998-2003)
13 sites nationwide
- Assets for Independence Demonstration (2001-Present) : 100s of programs nationwide
- First Home Club (2004-Present): State wide program funded by Federal Home Loan Bank of New York
- Microenterprise Development (2006)
- Dryden IDA program (2009)





Alternatives IDAs

- ❑ **11 IDA programs since 1998**
- ❑ **Over 310 graduates and 145 open accounts with over \$3 million in savings and match**
- ❑ **Over 90 homes purchased at an average of \$100,000 each = \$9 million leveraged with IDAs**

Account Features

- Participant opens an account with Alternatives- this is an account they can use beyond the life of their IDA
- IDA is opened as a special certificate that acts much like a CD – Better interest rate than a traditional savings account
- We can monitor the accounts without the need for “custodial” or “trust” status



Questions for the Speakers



Upcoming “Tools for Success” Webinars

- **Joining Forces: Creating Successful IDA Networks**
March 21, 2012 at 3:30 p.m. EST
- Visit <https://www1.gotomeeting.com/register/656660689> to register



Contact Information

For general questions about the AFI program,
visit www.idaresources.org.

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